Fraser & Neave Holdings (FNH MK)

4QFY25: Decent End To The Year

- Earnings came in within expectations despite headwinds to Thailand sales.
- In contrast, Malaysia sustained with a decent performance. However, margins expanded following cost efficiencies in both markets to lift overall earnings.
- Maintain BUY as F&N offers bargain valuations and its dairy project is gaining momentum, commencing dairy manufacturing in 1QFY26. Target price remains unchanged at RM36.30.

BUY (Maintained)	
Share Price	RM27.60
Target Price	RM36.30
Upside	31.5%

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4QFY25 Results

Year to 30 Sep (RMm)	4QFY25	qoq % chg	yoy % chg	FY25	yoy % chg	Comments
Revenue	**1,227.0**	**(1.5)**	**(2.3)**	**5,196.6**	**(0.9)**	Thailand sales more than offset Malaysia sales.
GP	**400.2**	**6.9**	**3.8**	**1,657.5**	**0.4**	
EBIT	**167.1**	**28.6**	**72.0**	**695.0**	**4.9**	Significantly improved margins from cost efficiencies lift earnings despite soft sales.
PBT	169.1	28.5	45.1	730.7	4.8	
Net Profit	114.3	34.8	34.5	508.5	(6.3)	
Core Profit	**120.7**	**40.2**	**34.8**	**517.3**	**(4.9)**	Within expectations. Earnings would have grown yoy had it not been for high effective tax rate.

Margins	(%)	qoq ppt chg	yoy ppt chg	(%)	yoy ppt chg
Gross Profit	32.6	2.6	1.9	31.9	0.4
EBIT	13.6	3.2	5.9	16.3	0.9
Eff. tax rate	(30.2)	4.2	(2.9)	(29.6)	(7.7)
Core Profit	9.8	2.9	2.7	10.0	(0.4)

Source: F&N, UOB Kay Hian

Analysis

- **Within expectations.** Fraser & Neave Holdings (F&N) reported a 4QFY25 core net profit of RM120.7m (+40.2% qoq, +34.8% yoy), which brought FY25 core net profit to RM517.3m (-4.9% yoy). This is within our and consensus expectations, accounting for 99% of both our and consensus full-year earnings forecasts. Core profit has been adjusted largely for restructuring costs. A DPS of 35 sen was declared, bringing cumulative DPS to 65 sen (FY24: 63 sen).

Key Financials

Year to 30 Sep (RMm)	2024	2025	2026F	2027F	2028F
Net turnover	5245.6	5196.6	5369.8	5650.0	5863.8
EBITDA	855.1	905.4	984.1	1054.1	1090.0
Operating profit	710.4	754.3	760.3	819.6	846.1
Net profit (rep./act.)	542.8	508.5	552.3	602.1	632.5
Net profit (adj.)	543.7	517.3	552.3	602.1	632.5
EPS	148.0	138.6	150.6	164.2	172.4
PE	18.6	19.6	18.3	16.8	16.0
P/B	2.8	2.6	2.4	2.3	2.1
EV/EBITDA	11.2	11.0	9.9	9.0	8.4
Dividend yield	2.3	2.4	2.5	2.7	2.9
Net margin	10.3	9.8	10.3	10.7	10.8
Net debt/(cash) to equity	-15.2	-7.5	-9.2	-15.0	-20.2
Interest cover	75.8	60.4	261.1	207.6	76.1
ROE	17.3	15.5	16.1	16.8	16.8
Consensus net profit	n.a	n.a	522.0	569.0	627.0
UOBKH/Consensus (x)	n.a	n.a	1.06	1.06	1.01

Source: F&N, Bloomberg, UOB Kay Hian

Stock Data

GICS Sector	Consumer Staples
Bloomberg ticker	FNH MK
Shares issued (m)	366.8
Market cap (RMm)	9,720.0
Market cap (US$m)	2,225.7
3-mth avg daily t'over (US$m)	0.5

Price Performance (%)

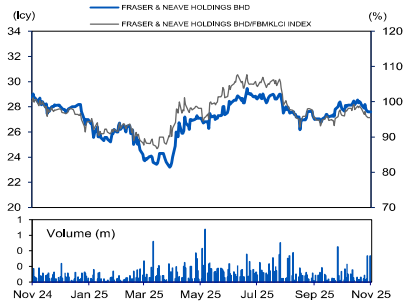
52-week high/low: RM29.46/RM23.30

1mth	3mth	6mth	1yr	YTD
(1.8)	(1.7)	1.9	(3.7)	(2.1)

Major Shareholders

	%
Fraser and Neave Ltd	55.5
FY25 NAV/Share (RM)	10.55
FY25 Net Debt/Share (RM)	0.22

Price Chart



Source: Bloomberg

Company Description

Leading beverage player which is principally involved in the manufacture, sale and marketing of soft drinks, dairies, and non-carbonated drinks.

4QFY25 Results By Segment

Year to 30 Sep (RMm)	4QFY25	qoq (%)	yoy (%)	FY25	yoy (%)	Comments
Revenue						
Msia	731.6	7.7	9.1	2,961.7	0.4	Growth led by marketing initiatives and solid export sales.
Thai	494.6	(12.6)	(15.4)	2,231.5	(2.8)	Decline from softer tourism and export sales.
EBIT						
Msia	79.9	211.7	43.2	275.8	(9.7)	
Thai	106.6	(6.8)	4.5	474.6	5.5	Despite headwinds, earnings grew from cost efficiencies.
EBIT Margin	**(%)**	**+/- ppt**	**+/- ppt**	**(%)**	**+/- ppt**	
Msia	10.9	7.2	2.6	9.3	(1.0)	
Thai	21.6	1.3	4.3	21.3	1.7	

Source: F&N, UOB Kay Hian

- **Malaysia: Solid 4QFY25 performance sets stage for dairy expansion in FY26.** 4QFY25 sales in Malaysia grew a robust 9.1% yoy, driven mainly by marketing initiatives and strong export sales off a low base from 4QFY24's Red Sea shipping crisis and higher freight costs. Heading into FY26, dairy contributions are expected to rise meaningfully as commercial milk production begins in 1QFY26. Despite ongoing dairy investments, margins expanded 2.6ppt yoy (+7.2ppt qoq) to 10.9%, supported by lower input costs and efficiency gains. Consequently, operating earnings surged 43% yoy (+212% qoq). The stronger ringgit and moderating commodity prices should further sustain F&N's margins in the near term.
- **Thailand: Headwinds abound…** Revenue contracted sharply by 15.4% yoy owing to softer tourism, flooding in northern provinces in Thailand and export disruptions to neighbouring countries. Despite the sharp decline in sales, operating earnings grew by 4.5% yoy, supported by lower input costs, disciplined A&P and continued focus on cost efficiencies. 2025 tourism has been weighed by multiple headwinds, as it faces the first decline in annual foreign visitors since the pandemic.
- **…but well-managed.** Revenue was flattish due to the phasing of A&P but F&N saw earnings growth as a result. Similarly, quarterly sales in Thailand were flattish by -2.2% due to the timing of its promotional activities and market activations as export sales to Cambodia and Laos grew. The phasing of its promotional activities resulted in improved margins and higher operating earnings of +2.9% yoy despite muted sales.

Valuation/Recommendation

- **Maintain BUY and target price of RM36.30.** We continue to like F&N's prospects, with room for recovery in Thailand, exciting upstream dairy project kicking in and bargain valuations. A decent execution of its dairy project could spark a re-rating for the company given the structural growth and opportunities the segment offers. F&N trades at 18.3x FY26F PE, a deep bargain to 38.1x which is the average of its consumer staple peers Nestle and QL. Our target price is based on a DCF implying 24.1x FY26F PE, which is in line with its five-year mean of 24.4x.

Earnings Revision/Risk

- No changes to our earnings forecast as we introduce our FY28 forecast. Key downside risks are spiralling commodities prices and US$/RM forex rates.

Share Price Catalyst

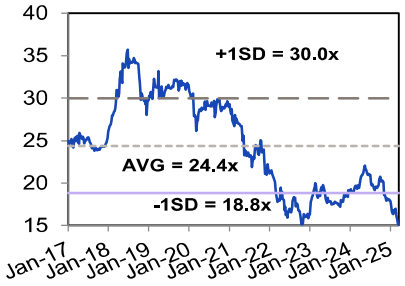
- **Dairy project update: Increase in herd size and manufacturing plant to commence operations soon.** F&N's construction of its dairy manufacturing plant is nearing completion, with commercial milk production expected to commence in 1QFY26 — a key milestone in F&N's upstream dairy integration journey. The farm currently houses over 4,000 cattle, an increase from its initial imported 2,500 batch of heifers in April. This November, an additional 2,500 pregnant heifers from Chile are set to arrive, further expanding the herd and boosting milk production under the Magnolia brand.

Key Assumptions

	2026F	2027F	2028F
Sales (RMm)	5,370	5,650	5,864
Soft Drinks (% yoy)	0.0	0.0	0.0
Dairies Malaysia (% yoy)	13.2	13.6	11.3
Dairies Thailand (% yoy)	0.0	0.0	0.0
EBIT	760	820	846
margin (%)	14.2	14.5	14.4

Source: UOB Kay Hian

Forward PE Band



Source: Bloomberg, UOB Kay Hian

Environmental, Social, Governance (ESG)

Environmental

- **Emissions management.** Reduced solid waste intensity ratio by 62% from 2017.

Social

- **Well-being.** Lowered the amount of sugar contained per ml in all its beverages by 59% since 2004.
- **Diversity & inclusion.** Fosters a diverse and inclusive work environment, ensuring that all patients and employees are treated with respect and dignity.

Governance

- **Board balance and composition.** Six board members are independent directors, equivalent to 55% of the board members.

Source: F&N, UOB Kay Hian

Profit & Loss

Year to 30 Sep (RMm)	2025	2026F	2027F	2028F
Net turnover	**5,197**	**5,370**	**5,650**	**5,864**
EBITDA	876	984	1,054	1,090
Deprec. & amort.	151	224	234	244
EBIT	725	760	820	846
Associate contributions	0	0	0	0
Net interest income/(expense)	(15)	(4)	5	14
Pre-tax profit	**719**	**757**	**825**	**861**
Tax	(216)	(204)	(223)	(228)
Minorities	(6)	0	0	0
Net profit	**496**	**552**	**602**	**632**
Net profit (adj.)	505	552	602	632

Balance Sheet

Year to 30 Sep (RMm)	2025	2026F	2027F	2028F
Fixed assets	2,221	2,750	2,740	2,696
Other LT assets	1,034	1,034	1,035	1,035
Cash/ST investment	626	721	1,012	1,340
Other current assets	1,733	1,648	1,732	1,803
Total assets	**5,614**	**6,153**	**6,520**	**6,873**
ST debt	0	0	0	25
Other current liabilities	1,173	1,415	1,456	1,444
LT debt	338	338	338	338
Other LT liabilities	224	224	224	224
Shareholders' equity	3,863	4,161	4,486	4,827
Minority interest	16	16	16	16
Total liabilities & equity	**5,614**	**6,153**	**6,520**	**6,873**

Cash Flow

Year to 30 Sep (RMm)	2025	2026F	2027F	2028F
Operating	**604**	**846**	**799**	**858**
Pre-tax profit	731	757	825	861
Tax	(176)	(204)	(223)	(228)
Deprec. & amort.	205	224	234	244
Working capital changes	(108)	73	(42)	(33)
Other operating cashflows	(47)	(4)	5	14
Investing	**(717)**	**(496)**	**(230)**	**(264)**
Capex (growth)	(737)	(500)	(225)	(250)
Investments	0	0	0	0
Proceeds from sale of assets	0	0	0	0
Others	20	4	(5)	(14)
Financing	**(519)**	**(255)**	**(277)**	**(267)**
Dividend payments	(231)	(255)	(277)	(292)
Issue of shares	0	0	0	0
Loan repayment	(114)	0	0	25
Others/interest paid	(173)	0	0	0
Net cash inflow (outflow)	**(631)**	**95**	**292**	**327**
Beginning cash & cash equivalent	**1,135**	**626**	**721**	**1,012**
Changes due to forex impact	8	0	0	0
Ending cash & cash equivalent	**512**	**721**	**1,012**	**1,340**

Key Metrics

Year to 30 Sep (%)	2025	2026F	2027F	2028F
Profitability				
EBITDA margin	16.8	18.3	18.7	18.6
Pre-tax margin	13.8	14.1	14.6	14.7
Net margin	9.6	10.3	10.7	10.8
ROA	10.9	11.4	12.0	12.2
ROE	15.2	16.1	16.8	16.8
Growth				
Turnover	30.3	34.6	41.7	47.0
EBITDA	35.2	51.9	62.7	68.3
Pre-tax profit	37.4	44.7	57.7	64.6
Net profit	21.0	34.7	46.8	54.2
Net profit (adj.)	(7.4)	9.3	9.0	5.0
EPS	26.3	38.0	50.5	58.1
Leverage				
Debt to total capital	8.7	8.1	7.5	7.5
Debt to equity	8.8	8.1	7.5	7.5
Net debt/(cash) to equity	(7.4)	(9.2)	(15.0)	(20.2)
Interest cover	59.0	261.1	0.0	0.0

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